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From: POLITICO Pro Energy <politicoemail@politicopro.com>
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Subject: Afternoon Energy, powered by America's Natural Gas Alliance: NGA predicts nat gas price rise; more outlooks to come - Marathon Oil buys stake in Ethiopia - Cuomo denies 'step back' on fracking
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[back](#)
[reaching a 2012 high](#)
[released its outlook](#)
[warmest winters on record](#)
[back](#)
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By Talia Buford | 10/3/12 1:24 PM EDT

With help from Bob King, Darren Samuelsohn and Alex Guillén.

NGSA SEES FIRMER NATGAS PRICE AS TEMPS DROP: A colder winter and increased demand will drive Henry Hub natural gas prices upward, but ample supplies will keep price rises in check, the Natural Gas Supply Association said today in its winter outlook briefing. Consumer demand is expected to be 83.8 billion cubic feet per day — 5.8 bcf higher than last year. But inventories are projected to average 3,900 bcf — 101 percent of the five-year average. The number of power plants switching from coal to natural gas is expected to be lower than last year but still robust, the group said, at 4.9 bcf daily compared with 6 bcf daily. More from your afternoon host: <http://politico.pro/QXYiZt>

MORE WINTER FORECASTS TO COME: The American Gas Association will host a media breakfast on Thursday to discuss its winter gas outlook for the natural gas markets. And on Oct. 10, the Energy Information Administration will unveil its short-term energy outlook for heating fuel costs during the 2012 Winter Fuels Outlook Conference.

Welcome to Afternoon Energy. I'm your host, Talia Buford, and I'm so glad that someone finally decided to live-GIF the political debates: <http://onforb.es/QrIZcJ>. I can now die a happy woman. Submit your memes — and best energy news — to me at tbuford@politico.com. And follow us on Twitter for all the lolz: @PoliticoPro, @Morning_Energy and @TaliaBuford.

CUOMO DENIES 'STEP BACK' ON FRACKING: The Albany Times Union reports (<http://bit.ly/QFT3gB>):

"Talking to reporters during his visit to Syracuse on Tuesday, Gov. Andrew Cuomo said that the new delay in the Department of Environmental Conservation's rule-making process for hydrofracking didn't represent an effort to hobble potential approval of the natural gas drilling process. 'There is no step back,' Cuomo said. ... The governor didn't discuss a potential timeline for the completion of DOH's review, and didn't offer an opinion as to whether or not its review would be completed before the deadline after which DEC would have to re-start its rule-making mechanism, necessitating a new round of public comments on the plan. 'I think it will be a more thorough review, and it will be a stronger review to withstand a legal challenge,' Cuomo said of DEC's decision to bring in DOH."

MARATHON OIL BUYS STAKE IN ETHIOPIA: Marathon Oil has agreed to pay Agriterria Ltd. \$40 million in exchange for a 20 percent stake in the South Omo oil block in Ethiopia. If commercially viable oil is discovered, Marathon will pay the company an additional \$10 million. An exploration well is expected to be drilled in the block before the end of the year, Marathon said. Businessweek: <http://buswk.co/ODkM6i>

GROUPS: STUDY SUPPORTS IDEA THAT PAVILLION WATER WAS SULLIED BY FRACKING: Environmental groups say a hydrologist's analysis (<http://bit.ly/QrK9Vv>) of U.S. Geological Survey data shows that water in Pavillion, Wyo., was contaminated by hydrocarbons from fracking, which is consistent with initial suspicions by the EPA. The study was done in conjunction with the Sierra Club, Earthworks and the Natural Resources Defense Council. "This reinforces EPA's findings — and the concerns of Americans in communities across the country — that dangerous fracking practices are putting our drinking water and health at risk," said NRDC senior policy analyst Amy Mall in a statement.

APPELLATE COURT EXPEDITES VERMONT YANKEE HEARING: The U.S. Court of Appeals for the 2nd Circuit agreed (<http://politico.pro/QFRIGx>) today to expedite oral arguments in Vermont's lawsuit to shut down its only nuclear plant. The case could be heard as early as the week of Nov. 26. Gov. Peter Shumlin and others in the state have long sought to shut down Entergy Corp.'s Vermont Yankee plant, but the state lost the first round of its legal effort in January when District Judge J. Garvan Murtha ruled the state lacked the authority to close the plant.

EARTHQUAKE NOT TIED TO FRACKING: An earthquake near Williston, N.D., last week is consistent with historical seismic activity in the state's northwest corner but doesn't have any connection with hydraulic fracturing, according to a state geologist. Bismarck Tribune: <http://bit.ly/QHZI2A>

BUT THEN AGAIN, MAYBE? "Three unusual earthquakes that shook a suburb west of Dallas over the weekend appear to be connected to the past disposal of wastewater from local hydraulic fracturing operations, a geophysicist who has studied earthquakes in the region says." LiveScience: <http://yhoo.it/SCR3oN>

MORE TROUBLE AT PENN STATE: A natural-gas driller's group has canceled a Penn State University study of hydraulic fracturing after some faculty members balked at the project, which had drawn accusations of being slanted toward industry. The Marcellus Shale Coalition, which paid more than \$146,000 for three previous studies, ended this year's report after work had started, said Kathryn Klaber, coalition president. Businessweek: <http://buswk.co/Sy6fYK>

INGAA GETS NEW CHAIRMAN: Gregory Harper was elected as chairman of the INGAA board of directors for 2013. Harper is senior vice president and group president of CenterPoint Energy's Pipelines and Field Services business. The board also elected Gary L. Sypolt, chief executive officer of Dominion Resources' Dominion Energy operating segment, as first vice chairman, and David Devine, president of Kinder Morgan's Natural Gas Pipeline Co., as second vice chair.

QUICK HITS

— House Energy and Commerce Chairman Fred Upton will debate Democratic challenger Mike O'Brien on Monday and Oct. 23. Holland Sentinel: <http://bit.ly/VuKqu2>

— Could defeating Hugo Chavez mean lower oil prices? The Financial Times: <http://on.ft.com/QFV8ZX>

— The New American Energy Opportunity Foundation comes out with two full-page ads in Denver newspapers blasting Obama's energy policies ahead of the debate. See the ads here: <http://bit.ly/SpEUtz>

— Michael Kearns will return to the National Ocean Industries Association as vice president for government relations after leaving the group last year to work for the United Nations Foundation's Energy and Climate Program.

THE WIDE WORLD OF POLITICS

- Five things to watch at the first debate: <http://politi.co/Sy7gjlw>
- Mitt Romney's George W. Bush problem: <http://politi.co/ODqGnS>
- Gang of 8 plots secret retreat on how to avoid the fiscal cliff: <http://politi.co/PwcBDm>

** A message from America's Natural Gas Alliance: According to the latest Bureau of Labor Statistics jobs report, the average weekly income for a worker in natural gas and oil development is \$1,576. That's a 21% raise from pre-recession/pre-shale boom 2007. Read more: <http://bit.ly/Ogn1ML> **

Stories from POLITICO Pro

Nat gas industry predicts return to 'normal'

Nat gas industry predicts return to 'normal' back

By Talia Buford | 10/3/12 12:04 PM EDT

Colder temperatures will drive up natural gas demand this winter and push prices for the fuel slightly higher than they were last year, the Natural Gas Supply Association said Wednesday.

But even with that projected increase, the benchmark Henry Hub price will ostensibly be returning to normal levels after last year's mild winter drove prices to their lowest mark in a decade.

That return to normal would be welcomed by the gas producers who suffered through the glut of supply that strained many corporate balance sheets in the first half of the year.

"It feels like an era of stability," said Greg Vesey, vice chairman of the NGSA and president of Chevron Natural Gas. "We've got some minor upward pressure, but over the long term, it does feel like a more stable environment."

Natural gas prices have climbed in recent days, with Henry Hub prices reaching a 2012 high of \$3.21 per million British thermal units. That number is still 36 cents below the same period in 2011, when the price was \$3.57.

Wednesday, the NGSA released its outlook for the coming heating season, projecting that demand will rise to 83.8 billion cubic feet of natural gas per day for the electric, industrial, residential and commercial sectors. That's a 5.8 bcf increase over last year's actual demand usage.

Last year's demand was weak, Vesey said, because it was one of the warmest winters on record, which curbed demand as new supplies flooded the market.

"If you'd asked me in the middle of the summer or spring, I would have said that storage would have been the number one issue, but it's really not," Vesey said. "There will be no upward or downward pressure due to storage."

The nation started last winter with 3,831 bcf in storage, and the NGSA expects to start this winter with 3,900 bcf in storage. That represents a storage capacity of 101 percent, which means utilities will have plenty of gas to draw on during peak winter heating.

Additionally, there will be fewer power plants switching from coal to natural gas this year, Vesey said. More plants used natural gas last year and stockpiled their coal, but this winter, they'll be burning the coal to clear out those reserves. The NGSA projects that coal to gas switching by power plants will add 4.9 bcf per day to demand this year, down from 6 bcf per day last year, "still a very high number," Vesey said.

The NGSA doesn't make price forecasts, but the Energy Information Administration projected in September that the Henry Hub estimate will be \$3.44 in 2013. The EIA will release their winter fuels outlook on Oct. 10.back

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